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28 May 1976

MEMORANDUM

SUBJECT : Portuguese Political Developments

1. Portugal has taken major steps toward a Western-style democratic government, but the new institutions growing out of the 1974 revolution are fragile and will be subject to serious stresses and strains in the months to come. Communist influence in Portugal has been rolled back since last summer, and the party is expected to leave the government altogether when the new regime is installed after the June 27 presidential election. The Communists are still the dominant force in labor, however, and retain the capacity for serious trouble-making--especially in view of Portugal's serious economic problems which will require some unpopular austerity measures from the new government.

2. Portugal's April 25 legislative assembly election resulted in a clear-cut victory for the three major democratic parties. Together, the Socialists, the centrist Popular Democrats, and the center-right Social Democratic Center polled 75 percent of the vote as compared with 72 percent in the constituent assembly election last year. The center and center-right parties increased their vote from 34 to 40 percent, but the strong conservative backlash predicted by some observers did not materialize.

3. While the Communist Party's vote percentage increased slightly from last year, in absolute terms it actually lost ground. The Communist front Portuguese Democratic Movement did not enter its own election slate this year, and the parent party was unable to hold on to the votes the front won in 1975. The party's strength in labor has also been cut into in recent months, but it still controls the most important unions and roughly twice as many union members as its nearest rival, the Socialist Party.

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4. The Socialists received only 35 percent of the vote but are determined to form a minority government after the presidential election on June 27. Despite their initial opposition to the Socialists' minority government formula, the Popular Democrats and the Social Democratic Center now reportedly are prepared to provide the necessary votes for passage of essential government programs.

5. The Socialists are said to have secured this cooperation by warning that the failure to pass key legislation could force the Socialists into a coalition with the Communists. Socialist Party leader Mario Soares may also have made a deal with Popular Democratic chief Sa Carneiro to bring the Popular Democrats into the government after a decent interval, perhaps of one year.

6. The formal selection of a government will not be made until the new president is elected. Despite earlier indications that a single consensus candidate might emerge, a half dozen candidates from the center and left of the Portuguese political spectrum have declared.

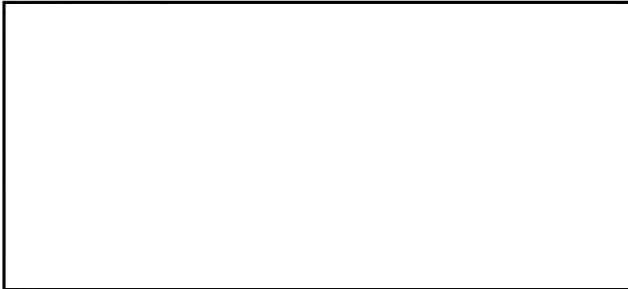
7. The front-runner appears to be Army Chief of Staff General Ramalho Eanes, who has been endorsed by all three major democratic parties, as well as by key military officers. The taciturn, 41-year-old infantry officer shows little flair for politics, but supporters are counting on his strong organizational support to win the election. Eanes' political views are not well known, but he is said by intimates to believe strongly in multiparty parliamentary democracy. He also reportedly favors strong Portuguese ties to NATO and the exclusion of Communists from the Portuguese government.

8. Eanes' major opponent is the present prime minister, 59-year-old Admiral Pinheiro de Azevedo. Azevedo, who is much better known than Eanes, plans to run on his record. His aggressive, highly personalized campaign style could make it a close race. Other presidential candidates--including one Communist and three standard bearers of far left parties--have no chance of winning, but their presence on the ballot could deprive either of the two leading contenders of a majority. Should a runoff occur, Prime Minister Azevedo is counting on picking up many votes from the Communists and other leftists.

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9. Whether Eanes or Azevedo is elected, Socialist chief Mario Soares appears assured of being the new prime minister. An Eanes presidency would guarantee the Soares government the support of a strong and fairly united military. Should the left-leaning Azevedo be elected, the chances of government instability, as well as continued political divisions in the armed forces, would increase.

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